

STATE OF NEW MEXICO

ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

CASES NOS. 16219
16220

Application of COG Operating, LLC,
for a non-standard oil spacing and
proration unit and compulsory pooling,
Lea County, New Mexico.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

THURSDAY, JULY 26, 2018

SANTA FE, NEW MEXICO

This matter came on for hearing before the
New Mexico Oil Conservation Division, William B. Jones,
Examiner, and David Brooks, Esq., Legal Examiner, on
Thursday, July 26, 2018, at the New Mexico Energy,
Minerals, and Natural Resources Department, Wendell Chino
Building, 1220 South St. Francis Drive, Porter Hall, Room
102, Santa Fe, New Mexico

Reported by: Mary Therese Macfarlane
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I N D E X

14 CASES NOS. 16219 and 16220 CALLED PAGE

15 APPLICANT'S WITNESSES: 4

16 MATTHEW SOLOMON

17 Examination by Ms. Broggi: 7

18 Cross Examination By Ms. Bradfute: 19

19 Cross Examination By Mr. Bruce: 21

Cross Examination By Mr. Jones: 22

Cross Examination By MR. Brooks: 26

20

21 HENRY ZOLLINGER

22 Examination by Ms. Broggi: 30

23 Cross Examination By Ms. Bradfute: 34

Cross Examination By Mr. Bruce: 34, 41

24 Cross Examination By Mr. JONES: 36, 41

25

26

1	E X H I B I T I N D E X	
2	EXHIBIT:	PAGE
3	APPLICANT COG OPERATING, LLC, EXHIBIT 1	19
4	APPLICANT COG OPERATING, LLC, EXHIBIT 2	19
5	APPLICANT COG OPERATING, LLC, EXHIBIT 3	19
6	APPLICANT COG OPERATING, LLC, EXHIBIT 4	19
7	APPLICANT COG OPERATING, LLC, EXHIBIT 5	19
8	APPLICANT COG OPERATING, LLC, EXHIBIT 6	19
9	APPLICANT COG OPERATING, LLC, EXHIBIT 7	19
10	APPLICANT COG OPERATING, LLC, EXHIBIT 8	19
11	APPLICANT COG OPERATING, LLC, EXHIBIT 9	19
12	APPLICANT COG OPERATING, LLC, EXHIBIT 10	19
13	APPLICANT COG OPERATING, LLC, EXHIBIT 11	19
14	APPLICANT COG OPERATING, LLC, EXHIBIT 12	19
15	APPLICANT COG OPERATING, LLC, EXHIBIT 13	19
16	APPLICANT COG OPERATING, LLC, EXHIBIT 14	19
17	APPLICANT COG OPERATING, LLC, EXHIBIT 15	19
18	APPLICANT COG OPERATING, LLC, EXHIBIT 16	19
19	APPLICANT COG OPERATING, LLC, EXHIBIT 17	19
20	APPLICANT COG OPERATING, LLC, EXHIBIT 18	19
21	APPLICANT COG OPERATING, LLC, EXHIBIT 19	19
22	APPLICANT COG OPERATING, LLC, EXHIBIT 20	19
23	APPLICANT COG OPERATING, LLC, EXHIBIT 21	19
24	APPLICANT COG OPERATING, LLC, EXHIBIT 22	19
25	APPLICANT COG OPERATING, LLC, EXHIBIT 23	19

1	APPLICANT COG OPERATING, LLC, EXHIBIT 24	19
2	APPLICANT COG OPERATING, LLC, EXHIBIT 25	19
3	APPLICANT COG OPERATING, LLC, EXHIBIT 26	33
4	APPLICANT COG OPERATING, LLC, EXHIBIT 27	33
5	APPLICANT COG OPERATING, LLC, EXHIBIT 28	33
6	APPLICANT COG OPERATING, LLC, EXHIBIT 29	
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

1 MR. JONES: Okay. Skipping to page 15 and
2 calling Cases 16219 and 16220, these are applications of
3 COG Operating, LLC, for a non-standard spacing and
4 proration unit, and compulsory pooling in Lea County, New
5 Mexico.

6 Call for appearances in one or both cases.

7 MS. BROGGI: Julia Broggi with Holland and Hart
8 on behalf of the Applicant COG Operators, LLC. And we
9 have two witnesses.

10 MR. JONES: Other appearances?

11 MS. BRADFUTE: Mr. Examiner, Jennifer Bradfute
12 on behalf of Marathon Permian, LLC, in both cases.

13 MR. JONES: Other appearances?

14 MR. BRUCE: Mr. Examiner, Jim Bruce representing
15 Burlington Resources Oil and Gas Company, LP, and Energen
16 Resources Corporation in both cases.

17 MR. JONES: Okay. Does everyone have their
18 paperwork in on this, because the paperwork has been kind
19 of shuffled around OCD, so we are trying to get that
20 straight. I apologize for that.

21 MR. BRUCE: I did not get the written entry of
22 appearance.

23 MS. BRADFUTE: Matador Resource sent an email
24 this morning asking that somebody put on the record that
25 they filed an entry.

1 MR. JONES: We got that.

2 MS. BRADFUTE: So I just want to state on the
3 record they filed an entry but I do not represent Matador.

4 MR. JONES: Okay. We've got Matador. Is
5 anybody representing Matador here?

6 MR. BRUCE: Why don't I volunteer?

7 MR. JONES: Okay.

8 MS. MUNDS-DRY: I'll do it.

9 MR. JONES: Ms. Bradfute, who do you represent?

10 MS. BRADFUTE: Marathon.

11 MR. JONES: Marathon. Okay. Okay. So we've
12 got COG as the Applicant, we've got Marathon, and we've we
13 got Burlington. And what was the other one?

14 MR. BRUCE: Energen.

15 MR. JONES: Energen. And we got Matador.

16 So we got attorneys all starting with the
17 name J, or the letter J.

18 MR. BRUCE: Probably should put ** Matador as
19 MRC Permian.

20 MR. JONES: Instead of Matador, MRC. Okay.

21 Does COG agree to allow the late entries to
22 ask questions of a witness?

23 MS. BROGGI: Yes, Mr. Examiner.

24 MR. JONES: Okay. Will the witnesses in these
25 cases please stand.

1 Oh, the witnesses have been previously
2 sworn. Let the record show that the witnesses have been
3 previously sworn. Let the record show the witnesses'
4 names are -- Matt, say your name.

5 MR. SOLOMON: Matt Solomon.

6 MR. ZOLLINGER: Henry Zollinger.

7 MR. JONES: Mr. short-timer here. They have
8 been previously sworn and qualified. As long as that's
9 okay with the other attorneys.

10 MS. BRADFUTE: No objection.

11 (Note: No additional response.)

12 MS. BROGGI: So just to revisit the question
13 about whether or not we need to request a non-standard
14 spacing proration unit, this one was filed in May, so
15 would it be your position that we still need it?

16 MR. JONES: Yes.

17 MS. BROGGI: No question that...

18 MR. JONES: Uh-huh.

19 MS. BROGGI: Okay. Do you understand?

20 THE WITNESS: Uh-huh.

21 MATT SOLOMON,
22 having been previously sworn and qualified,
23 testified as follows:

24 EXAMINATION

25 BY MS. BROGGI:

1 Q. So, Mr. Solomon, it sound like you have already
2 been established as an expert witness in this case.
3 You're familiar with the Application that COG filed in
4 this case?

5 A. I am.

6 Q. And the lands at issue?

7 A. Yes.

8 Q. Will you please turn -- let me start with the
9 first case. This is Case No. 16219. Can you tell the
10 examiners what COG is seeking with this application.

11 A. This is --

12 Q. The first case.

13 A. Okay. East half of west half?

14 Q. Yes.

15 A. We are seeking to force pool uncommitted working
16 interest owners and overriding royalty interest owners
17 into a 320-acre proration unit that is defined by the east
18 half of the west half of Section 30 and the east half of
19 the west half of Section 31, Township 24 South, Range 35
20 East, Lea County.

21 Q. And you are requesting approval for a
22 non-standard spacing proration unit?

23 A. Correct.

24 Q. And are you seeking to dedicate this spacing
25 unit to the proposed Fascinator Federal Com Nos. 601H,

1 602H, 701H, 702H and 703H wells?

2 A. We are.

3 Q. Are you seeking to pool all uncommitted owners
4 in the Wolfcamp pool?

5 A. Yes. Correct.

6 Q. And designate COG as the operator?

7 A. Correct.

8 Q. With respect to the second case, 16220, will
9 tell us what COG is seeking with that application.

10 A. Yes. We are seeking to compulsory pool a
11 proration unit comprised of the west half of the west half
12 of Section 30 and the west half of the west half of
13 Section 31 for uncommitted working interest owners and
14 overriding royalty interest owners.

15 Q. And again that would be a non-standard spacing
16 proration unit?

17 A. Correct.

18 Q. Are you proposing to dedicate the spacing unit
19 to Fascinator Fed Com Nos. 603H, 604H, 704H, 705H, 706H
20 wells?

21 A. We are.

22 Q. And the pooling of the uncommitted interest
23 owners?

24 A. Correct.

25 Q. As well as COG as the operator?

1 A. Correct.

2 Q. Has COG filed C-102 well plots for each of the
3 10 proposed wells in these cases?

4 A. It has.

5 Q. And is that what has been marked as COG Exhibits
6 1 through 10?

7 A. (Note: Pause.) That's correct.

8 Q. So there is one for each of the proposed wells?

9 A. Yes, there is.

10 Q. Have they been assigned a pool code?

11 A. They have not been assigned a pool code yet, but
12 we are -- we know which pool we want to put that in.

13 Q. And is that going to be CWC-025-09S2435321?

14 A. That is the requirement.

15 Q. What is the nature of the land?

16 A. It's made up of three things: fee leases,
17 federal leases, and a state lease.

18 Q. Will you please turn to COG Exhibit No. 11 in
19 the notebook.

20 A. Uh-huh.

21 Q. Does this exhibit identify the tracts involved
22 in the first case No. 16219?

23 A. It does.

24 Q. And on the second page of that Exhibit 11, does
25 it show the ownership by tract?

1 A. It does.

2 Q. And then the third page is the unit
3 recapitulation?

4 A. Uh-huh.

5 Q. What is the significance of the bolded names on
6 that list on the third page?

7 A. Those are currently uncommitted working interest
8 owners.

9 Q. And the parties that you're seeking to pool in
10 this case?

11 A. Correct.

12 Q. Let's turn to COG Exhibit No. 12.

13 A. Let me add something else.

14 Q. Sure.

15 A. The names at the bottom bolded where you see the
16 estate of, those are unmarketable title owners we are also
17 seeking to pool.

18 Q. Thank you for the clarification.

19 Please turn to the next exhibit, Exhibit
20 No. 12.

21 A. Uh-huh.

22 Q. Same thing. Does this show the tracts involved
23 in Case No. 16220?

24 A. It does.

25 Q. Does the second page so the ownership by tract?

1 A. It does.

2 Q. And that third page is the unit recapitalization
3 page?

4 A. Correct.

5 Q. Those bolded names are the parties that COG is
6 seeking to pool in that case?

7 A. That's correct.

8 Q. Let me ask you about setbacks.

9 For the proposed wells, Fascinator Fed Com
10 Nos. 601H, 603H, 604H, 701H, 702H, 705H, 706H, will the
11 completed intervals comply with the standard setback
12 requirements?

13 A. Those wells will comply.

14 Q. And for the remaining three wells with
15 Fascinator Fed. Com Nos. 602H, 703H and 704H, will they
16 comply?

17 A. They will not comply and will require a
18 specialty exception that we've applied for through the
19 standard administrative procedure.

20 Q. So you have separately applied for that
21 administratively?

22 A. Correct.

23 Q. What type of interests is COG seeking to pool?

24 A. Uncommitted working interest owners, overriding
25 royalty interest owners related to federal leases, and

1 unmarketable title interest.

2 Q. How about unleased interest owners?

3 A. Yes.

4 Q. For the working interest owners, did COG send a
5 Well Proposal letter?

6 A. Correct.

7 Q. So please turn to COG Exhibit No. 13.

8 A. Uh-huh.

9 Q. Is this a copy of the Well Proposal letter sent
10 to the working interest owners for the proposed Fascinator
11 Fed Com 601H well?

12 A. It is.

13 Q. And for the unleased mineral interest owners did
14 COG offer to lease the interest?

15 A. Correct. We did.

16 Q. In that same COG exhibit No. 13, will you turn
17 two pages.

18 A. Right.

19 Q. Is that a copy of the letter that COG sent to
20 the unleased mineral interest owners?

21 A. Correct.

22 Q. Did both the letter that you sent to the working
23 interest owners and the unleased mineral interest owners,
24 did they contain AFEs?

25 A. They did. It did.

1 Q. If you turn two pages, is that also included in
2 COG Exhibit No. 13?

3 A. Correct.

4 Q. Okay.

5 A. Just to make the record real clear, will you
6 turn to COG Exhibit No. 14.

7 A. Uh-huh.

8 Q. And is this, a letter that was sent to the
9 working interest owners, the letter that was sent to the
10 unleased mineral interest owners, and the AFE that
11 accompanied both of those letters, is that for proposed
12 well Fascinator Fed Com 602H?

13 A. Correct.

14 Q. And the same question for COG Exhibit No. 15.

15 A. Okay. Got it.

16 Q. Is that the letter sent to the working interest
17 owners, unleased mineral interest owners, along with the
18 AFE for the proposed Fascinator Fed Com 603H well?

19 A. It is.

20 Q. I'm sorry to be tiresome about this, but will
21 you also turn to COG Exhibit No. 16.

22 Are those the same two letters with
23 accompanying AFE for the proposed Fascinator Fed Com 604H
24 well?

25 A. Yes.

1 Q. And if you will turn to COG Exhibit No. 17, are
2 those two letters with the accompanying AFE for the
3 proposed Fascinator Fed Com 701H well?

4 A. Yes.

5 Q. Same question as to COG Exhibit No. 18. Are
6 those the two letters sent to working interest owners and
7 unleased mineral owners, along with accompanying AFE, for
8 the proposed Fascinator Fed Com 702H well?

9 A. They are.

10 Q. COG Exhibit No. 19, is that the same two letters
11 and an AFE for the Fascinator Fed Com 703H well?

12 A. It is.

13 Q. And if you will turn to the next exhibit, COG
14 Exhibit No. 20.

15 A. Uh-huh.

16 Q. Is this those same two letters to the working
17 interest owners, unleased mineral interest owners, along
18 with the AFE for the proposed Fascinator Fed Com 704H
19 well?

20 A. It is.

21 Q. And two more. COG Exhibit No. 21, is that a
22 copy of the letter that was sent to the working interest
23 owners along with a letter sent to unleased mineral
24 interest owners and accompanying AFE for the proposed
25 Fascinator Fed Com 705H well?

1 A. Yes.

2 Q. Very last one, COG Exhibit 22. Are those same
3 two letters with the accompanying AFE for the proposed
4 Fascinator Fed Com 706H well?

5 A. Yes.

6 Q. Regarding the AFEs that are part of COG Exhibits
7 13 through 22, are the costs in the AFE reflective and
8 consistent with what operators have incurred for drilling
9 similar horizontal wells in the area?

10 A. They are.

11 Q. Has COG made an estimate of overhead and
12 administrative costs while drilling and producing these 10
13 wells?

14 A. It has. 7,000 for drilling, 700 for operations.

15 Q. Are those overhead rates consistent with what
16 other operators charge for horizontal wells in this area?

17 A. Yes.

18 Q. Would you ask these administrative and overhead
19 costs be incorporated into any Order that results from
20 this hearing?

21 A. I do.

22 Q. Let me ask you about -- you said there was also
23 overriding royalty interests.

24 A. Uh-huh.

25 Q. Were they provided notice of this hearing?

1 A. They were.

2 Q. And you also mentioned that there are
3 unmarketable title owners in this case.

4 A. Uh-huh.

5 Q. What did you provide them?

6 A. Notice of the hearing and a corresponding letter
7 explaining the nature of the title issue.

8 Q. And a copy of the Well Proposals?

9 A. Correct.

10 Q. What efforts did you undertake to reach
11 agreements with the parties that COG is seeking to pool in
12 this case?

13 A. Well, for the uncommitted working interest
14 owners we sent out Well Proposals and Operating
15 Agreements, and for the overriding royalty interest
16 owners, we sent them Ratifications -- well, not
17 ratifications. We sent them Communitization Agreements
18 with space for them to execute and notarize.

19 Q. If after this hearing you are able to reach
20 agreement with any of these parties that COG is seeking to
21 pool, will you let the Division know?

22 A. Yes.

23 Q. Do you also believe you used good faith efforts
24 to try to reach agreement with them?

25 A. Yes.

1 Q. Will you please turn to Exhibit No. 23 in your
2 notebook. Is this an affidavit from my office with a
3 letter, the letter that was sent out to the interest
4 owners along with documentation of the mailing to those
5 interest owners?

6 A. It is.

7 Q. And in reviewing this document did you realize
8 that one of the parties did not receive notice of this
9 hearing?

10 A. Yes, that's correct.

11 Q. And was that Jet Stream New Mexico MFTC, LLC?

12 A. Correct.

13 Q. Have you spoken to them about the notice issue?

14 A. Yes. We reached out to them last night asking
15 them for a waiver of notice, and they sent us an
16 affirmative email today waiving Notice.

17 MR. JONES: Who was that again?

18 MS. BROGGI: It's Jet Stream New Mexico MFTC,
19 LLC? They were the single party that didn't receive
20 Notice, but as Mr. Solomon testified, they have agreed to
21 waive the Notice issue.

22 Q. Would you please turn to COG Exhibits Nos. 24
23 and 25.

24 A. Uh-huh.

25 Q. Are these Affidavits of Publication in the Hobbs

1 **News Sun for both of these two cases?**

2 A. They are.

3 **Q. Were Exhibits 1 through 25 either prepared by**
4 **you or compiled under your direction and supervision?**

5 A. They were.

6 MS. BROGGI: At this time we would move into
7 evidence COG's Exhibits 1 through 25.

8 MR. JONES: Objections?

9 MS. BRADFUTE: No objection.

10 MR. BRUCE: I object to the sheer volume, but
11 other than that...

12 MR. BROOKS: I concur with you in that
13 objection.

14 MR. JONES: Exhibits 1 through 25 are admitted.

15 MS. BROGGI: I have no further questions for
16 this witness.

17 MR. JONES: Ms. Bradfute?

18 MS. BRADFUTE: Sure.

19 I just have a couple of questions.

20 CROSS-EXAMINATION

21 BY MS. BRADFUTE:

22 **Q. There are three wells that COG is going to apply**
23 **for an NSL on; is that correct?**

24 A. Uh-huh.

25 **Q. That's 702, 703 and 704H?**

1 A. That's correct.

2 Q. And for all the other wells will their setbacks
3 comply with the new horizontal rules or the previous
4 setback requirements?

5 A. I believe the answer is the previous setback
6 requirements.

7 MS. BROGGI: I believe the answer is the
8 previous --

9 MS. BRADFUTE: I just wanted to confirm and
10 clarify. I just wasn't sure.

11 Q. My next question is: Will all these wells be
12 drilled within the same pool or are they all going to be
13 developing --

14 A. The Wolfbone, yeah.

15 Q. And it's all under the same pool code you
16 identified?

17 A. Correct.

18 Q. If you could turn to Exhibit 14. Exhibit 13.

19 Exhibit 13. I want to look at the AFE.

20 A. Uh-huh.

21 Q. Which is the third (sic) page of this exhibit.

22 A. Okay.

23 Q. The AFE up in the top caption area identifies
24 the TVD for the wells; is that correct?

25 A. Uh-huh.

1 Q. That's true for all of the wells that have been
2 proposed; is that correct? On your AFEs have
3 you identified a True Vertical Depth?

4 A. I haven't looked closely at every single one,
5 but...

6 Q. But if you want to flip through I just want to
7 make sure I'm understanding it correctly.

8 A. Okay. Yeah, it appears that, yes, there was a
9 TVD provided on every single one.

10 Q. Is the TVD within -- it looks like the TVDs for
11 all these wells were pretty similar. Is that accurate,
12 that you're targeting similar depths for all these wells?

13 A. Yes. But I think that is a question probably
14 best answered by our geology witness.

15 MS. BRADFUTE: Thank you. That concludes the
16 questions I have.

17 MR. JONES: Mr. Bruce?

18 MR. BRUCE: Just one question.

19 CROSS-EXAMINATION

20 BY MR. BRUCE:

21 Q. Will you continue to negotiate with the
22 noncommitted interest owners after the hearing?

23 A. Yes.

24 MR. BRUCE: Thank you.

25 CROSS-EXAMINATION

1 BY MR. JONES:

2 Q. So you could end up with a situation where some
3 wells are owned by some parties and and some are owned by
4 others. In other words, they got to make elections for
5 each well, right? So then we'll -- in other words, some
6 people can elect in one well and not the other; is that
7 correct?

8 A. You know, I don't know the answer to that. I am
9 not familiar with how the Commission wants to approach
10 something like that when we are doing batch drilling of
11 five wells. Candidly, I don't know if you guys feel that
12 because of the process of batch drilling that somebody
13 either has to be all in or all out or if they should have
14 the option of saying, "Well, yeah, I like the first one,
15 won't go on the third one, do the fourth one, pass on the
16 fifth one." I don't know what is considered to be -- to
17 balance the realities of batch drilling and yet fairness
18 to...

19 Q. Is any of these going to be -- the non-standard
20 location applications, will they -- is it because they are
21 going to encroach on the lateral acreages to the west or
22 the east, or are they, because of the internal --

23 A. Internal.

24 Q. Internal setback.

25 A. Right.

1 Q. And I was interested that -- you answered that
2 you're not going to revise the setbacks to 1-to-100 feet.
3 Because I know you're up to \$13 million a well here, but,
4 you know, the new rule allows the 100 feet, and so...

5 A. I guess what I did not have clarity on is, we
6 applied -- given the time we originally applied for this,
7 the new rule was not in order. I guess what I don't know
8 is: In this situation where the Order comes to fruition
9 after the date of the new rules coming in if we are
10 allowed to change something to the new rules where we
11 applied originally under the old rules.

12 Q. Have you already applied for the non-standard
13 location --

14 A. Yes.

15 Q. -- applications?

16 A. Yes.

17 MS. BROGGI: I don't want to speak out of turn
18 if I'm wrong, but I think they have already been approved.

19 MR. JONES: But you could always apply again.

20 MR. BROOKS: I think you could do that simply by
21 filing an amended C-102, although I can't say the Division
22 is -- we had a big meeting about this subject, but I don't
23 think we reached -- as usually happens in meetings, I'm
24 not sure there was a clear decision.

25 MS. BRADFUTE: I did have a conversation with

1 the Deputy Director yesterday and the advice given was:
2 File an amended C-102.

3 MR. BROOKS: Well, that's in accordance with my
4 understanding of the consensus, to the extent there was a
5 consensus reached, that if -- we cannot -- all we could do
6 is grant or deny the non-standard location if it were
7 asked for. If we granted it then that would leave you in
8 about the same position as if we didn't grant it -- if we
9 didn't do anything. And if we denied it, that would just
10 cause confusion. So...

11 MS. BRADFUTE: I agree.

12 MR. JONES: I just have two more questions.

13 Q. And I know this needs to be explored further,
14 but the Wishbone pool is an oil pool, is that correct?

15 A. Correct.

16 Q. So it's got 40-acre building blocks. But we
17 don't worry about that because we are -- well, we do
18 because it's under the old rule, but I just want to make
19 sure. Because sometimes we say we've got a pool but --
20 and it's understood that it's an oil pool in the southeast
21 if it doesn't say gas, but, you know, we've got these
22 different building blocks now. So...

23 And who is your major working interest
24 owners that were nonconsenting so far, the big owners that
25 have not joined?

1 A. Have not joined? There's Marathon, Oxy. Those
2 are the two biggest ones.

3 **Q. The biggest? Okay.**

4 A. Hold on. Let me...

5 It's 11 and 12. Bear with we me for a
6 second.

7 So okay, yeah. It's Marathon and Oxy.

8 **Q. Okay.**

9 A. Second is really Oxy.

10 **Q. Okay. So this is quite a big bite to chew on if**
11 **you have to carry people on these wells, but I guess --**
12 **it's a big bite for anybody to participate in, also.**
13 **We're looking at \$65 million a spacing unit here, correct?**

14 A. Right.

15 **Q. Something like it.**

16 A. We are.

17 **Q. And that's just for drilling the wells. That's**
18 **not the facilities.**

19 A. Right. But I think the geologist can speak to
20 the confidence we have in this area.

21 MR. JONES: Okay. I better let Mr. Brooks.

22 MR. BROOKS: Okay.

23 CROSS-EXAMINATION

24 BY MR. BROOKS:

25 **Q. I want to get some things straight here.**

1 **There's 10 wells total?**

2 A. Yes, sir.

3 **Q. Exhibits 1 through 10 are they AFEs?**

4 A. Yes, sir.

5 MS. BROGGI: Not the AFEs, the C-102s.

6 **Q. C-102s. I'm sorry. Not the AFEs. I shouldn't**
7 **get those things confused.**

8 Are these -- what formations are these in?

9 **Are those Wolfcamp and Bone Spring, or --**

10 A. Correct.

11 **Q. Are the 600 series Bone Spring and the 700**
12 **series Wolfcamp, or it some other way.**

13 A. I believe that is the nomenclature, correct.

14 **Q. That's what I was thinking it probably was,**
15 **but...**

16 So the 602, 601 -- 601, 602, 603, 604 --

17 MS. BROGGI: No, that's not correct.

18 MR. BROOKS: No, it's not correct?

19 MS. BROGGI: No.

20 MR. BROOKS: Then let's get it correct.

21 MS. BROGGI: No, it's a bit of a mixed batch.

22 If I'm understanding the question right,
23 the cases are -- the wells are different on the first
24 case: 601, 602, 701, 702, 703.

25 THE WITNESS: But I think what he's saying is

1 does the use of a 6 means that you're drilling at Bone
2 Spring well versus a 7 which is at Wolfcamp.

3 MS. KESSLER: I'm sorry. I misunderstood the
4 question.

5 THE WITNESS: So yes, that's the system.

6 Q. (BY MR. BROOKS) So the 600 series?

7 A. Are Bone Spring wells.

8 Q. 600 series are Bone Spring and 700 series are
9 Wolfcamp.

10 A. Yes, sir.

11 MR. JONES: It's all a pool that has not been
12 formed yet. It's --

13 MR. BROOKS: So these are wildcat?

14 MR. JONES: No, they're Wolfbone. I'm sorry,
15 David.

16 MR. BROOK: I need to know, though. I remember
17 you did ask about Wolfbone.

18 MR. JONES: But I didn't ask him the vertical
19 and lower limits of the Wolfbone.

20 MR. BROOKS: Okay. Since they're Wolfbone then
21 it won't matter, from our perspective, what's Wolfcamp and
22 what's -- of course that's Paul's classification, but
23 Paul's classifications are usually sacred.

24 So I'm assuming that he will put them in a
25 wildcat Wolfbone pool.

1 Q. Is that what you contemplate or should I ask the
2 geologist that?

3 A. I would defer to my colleague on that.

4 Q. Okay. Since it's not in an established pool we
5 can assume that it will be spaced on 40 acres, right?

6 A. (Note: Nods head.)

7 Q. And this was formed -- this application was
8 filed -- these applications were filed before June 26th?

9 A. Correct. They were filed in April.

10 MS. BROGGI: May.

11 Q. So we do need non-standard spacing units. We
12 need to form non-standard spacing units, because we can't
13 have horizontal spacing units because they didn't exist
14 when these applications were filed.

15 Okay. Now, in regard to what you asked
16 about, I guess you were asked about it and you responded
17 that you didn't know how it did with regards to whether a
18 separate election has been allowed on each pool. So far
19 every such case we have dealt with we have allowed a
20 separate election in both -- for each well. I will add,
21 however, that to my knowledge there has not been a case so
22 far in which any party specifically requested -- well,
23 there was a case in which a party specifically -- a
24 non-pooled -- non-applicant, a responding party
25 specifically requested a separate election and a delayed

1 period of time to make that separate election. That was
2 granted in that case but with the specification that it
3 applied to that case only, because it was based on the
4 evidence, and that wouldn't be a Division policy.
5 Division wasn't adopting any kind of policy, it simply
6 decided one case on the particular contentions and
7 evidence.

8 I do not know of any case in which the
9 Division has announced a policy of either always having
10 separate elections or not always having separate
11 elections. I can see that one can argue from the fact
12 that the statutory provision refers to "the well" that
13 that would require separate elections in every case, but I
14 do not know whether that's Division policy or not, and I
15 can see other arguments could be made.

16 So I will leave it at that.

17 But in the absence of a vigorous argument
18 for and testimony supporting the reasons for it that we
19 should no allow separate election, I suspect that there
20 will not be a focus on it and therefore we will follow
21 what has become the default option for providing for
22 separate elections for each well.

23 MS. BROGGI: Thank you.

24 MR. BROOKS: Okay. I have no further questions
25 of this witness.

1 (Note: Discussion held off the record. Mr.
2 Brooks exited.)

3 MS. BROGGI: Are we operating under Mr.
4 Zollinger has been accepted as an expert witness?

5 MR. JONES: Yes.

6 HENRY ZOLLINGER,
7 having been previously sworn and
8 qualified testified as follows:

9 DIRECT EXAMINATION

10 BY MS. BROGGI:

11 Q. What is the target pool for these 10 proposed
12 wells?

13 A. The wolfbone pool.

14 Q. Have you prepared a structure map, a cross
15 section of the pool involved in these consolidated cases?

16 A. Yes.

17 Q. Will you please turn to COG Exhibit No. 26.
18 Will you identify this for the examiner.

19 A. This is the locator map for this 10-well
20 project. The dashed lines are the proposed wells, the
21 purple lines represent the 600 series wells, and the red
22 lines represent the 700 series wells. The solid lines
23 also represent the produces wells in the area in the
24 Wolfbone pool.

25 Q. How about the yellow highlighted area?

1 A. That's COG's acreage.

2 Q. Will you turn to the next exhibit, please, COG
3 **Exhibit No. 27, --**

4 A. Yes.

5 Q. -- and identify this for the examiner.

6 A. This is a structure map on the top of the
7 Wolfcamp which is representative for both landing points
8 in this project.

9 Q. Is the structure consistent in this section?

10 A. These wells will be drilling on the structure,
11 updip throughout the well -- I'm sorry, downdip. I always
12 get them...

13 Q. It's before lunch.

14 Have you observed any faults or pinchouts
15 or other geological hazards to a horizontal well here?

16 A. No, I have not.

17 Q. Will you turn to the next exhibit, No. 28, and
18 again will you identify this for the examiner.

19 A. Yes. This is the same locator map with the line
20 of section from A to A prime for the next exhibit.

21 Q. And why did you choose these three wells on the
22 A to A prime line?

23 A. These are representative of the targets for this
24 project.

25 Q. Will you turn to that final exhibit, COG Exhibit

1 **No. 29 --**

2 A. Yes.

3 **Q. -- and identify this.**

4 A. This is the cross section which is
5 representative of the landing points for the targets in
6 the Fascinator project.

7 The cross section is hung on the Wolfcamp,
8 the top of the Wolfcamp, which is the red flat line. The
9 Third Bone Spring top is noted above the Wolfcamp, and
10 then an inner formational Wolfcamp marker below the
11 Wolfcamp top.

12 Then the targets for what we call the sand
13 target, which is above the Wolfcamp top, and the shale
14 targets, which are below the Wolfcamp top, are denoted by
15 the brackets on the left.

16 **Q. Based on you're geologic study of this area have**
17 **you identified any geologic impediments to drilling a**
18 **horizontal well in this area?**

19 A. No.

20 **Q. In your opinion, can this area be economically**
21 **developed by a horizontal well?**

22 A. Yes.

23 **Q. In your opinion will these quarter/quarter**
24 **sections contribute more or less equally in these spacing**
25 **units?**

1 A. Yes.

2 (Note: Reporter interruption.)

3 Q. In your opinion will horizontal drilling be the
4 most efficient method to develop this acreage to prevent
5 the drilling of unnecessary wells and result in the
6 greatest ultimate recovery?

7 A. Yes.

8 Q. And finally, in your opinion will the granting
9 of COG's two applications in these consolidated cases be
10 in the best interests of of conservation, prevention of
11 waste, and protection of correlative rights?

12 A. Yes.

13 Q. Were Exhibits, were COG Exhibits 26 through 29
14 either prepared by you or compiled under your direction
15 and supervision?

16 A. Yes.

17 MS. BROGGI: At this time we would move for the
18 admission of COG Exhibits 25 (sic) through 29.

19 MR. JONES: In both cases? Those are just
20 consolidated cases. Okay.

21 Any objection?

22 MS. BRADFUTE: No.

23 MR. BRUCE: No objection.

24 MR. JONES: Exhibits 26 through 29 are admitted.

25 . BROGGI: And that concludes my direct

1 examination of this witness.

2 MS. BRADFUTE: I just have one or two questions.

3 I wanted to look at Exhibit 29.

4 THE WITNESS: Okay.

5 CROSS-EXAMINATION

6 BY MS. BRADFUTE:

7 Q. When I look at this cross section there is an
8 orange line running through the cross section about
9 halfway through the chart --

10 A. Yes.

11 Q. -- that's labeled WFMP.

12 A. Correct.

13 Q. I just missed this in your testimony. What does
14 that line show?

15 A. That line shows the top of the Wolfcamp.

16 Q. Okay. And so the target here for these wells is
17 shown by a green bracket, that first -- the higher green
18 bracket shown in the exhibit?

19 A. For the 600 series, yes.

20 Q. And then the lower green bracket is target for
21 the 700 series?

22 A. Yes, ma'am.

23 Q. How many feet apart are those two targets?

24 A. They are about -- the bottom of the upper
25 bracket and the top of the lower bracket are about 100

1 foot apart.

2 Q. And how far apart spaced laterally are your 600
3 series wells?

4 A. I'll have to refer back to the C-102s for that.

5 Q. Okay. So you wouldn't have an estimate for --

6 A. I have an idea. I'd just like to give a correct
7 answer.

8 Q. I don't need exact numbers. I was looking for
9 an estimate.

10 A. Estimate would be around 500.

11 Q. Around 500 feet?

12 Do you know as an estimate how far apart
13 spaced the 700 series wells are?

14 A. The 700 series wells will actually be staggered
15 inside that landing zone target bracket. So horizontally
16 in the same stratigraphic depth, they will be similar to
17 the 600 series, about 500 feet.

18 Q. And then they are staggered. How does that
19 work?

20 A. They will be equally staggered, so half of that
21 distance.

22 MS. BRADFUTE: Okay. Thank you. That concludes
23 my questions.

24 MR. JONES: Mr. Bruce?

25 MR. BRUCE: You just you mentioned -- let's get

1 to your last point first.

2 CROSS-EXAMINATION

3 BY MR. BRUCE:

4 Q. So the shale target, you're looking at close to
5 be about 150 feet thick, roughly?

6 A. Roughly, yes.

7 Q. And you stagger them. What is the vertical?

8 A. It will be about another 100 feet. On the order
9 of 100 feet.

10 Q. Just approximate?

11 A. Yes.

12 Q. So if COG had a full section here you would be
13 looking at a dozen Wolfcamp wells across the section and
14 eight Bone Spring Sand wells?

15 A. Correct.

16 MR. BRUCE: Thanks.

17 MR. JONES: Okay.

18 CROSS-EXAMINATION

19 BY MR. JONES:

20 Q. Okay. Can you define the top and bottom of
21 wolfbone pool?

22 A. Not off this cross section. However, the base
23 of the Wolfbone pool is on this. It's actually marked
24 with WFMP under bar B down at the bottom. And the top is
25 actually the base of the Second Bone Spring sand or the

1 top of that carbonate.

2 Q. And that has been consistent with other
3 definitions of the Wolfbone pool?

4 A. Yes, sir.

5 Q. In other cases?

6 A. Yes, sir.

7 Q. And this is the way it was advertised to all the
8 parties, is the depths were specified, vertical depths
9 were specified, so...

10 And it was also specified it was going to
11 be in the Wolfbone pool?

12 A. Yes, sir.

13 Q. Okay. Looks like the, uh -- just to belabor the
14 point here, looks like the Wolfcamp, you're picking it on
15 your -- you increased activity in your gamma ray and
16 your -- it looks like your deep resistivity is pretty much
17 a good marker, too.

18 A. Yes, sir.

19 Q. Is that because of the lower porosity?

20 A. It's a lithology change from the Bone Spring --
21 the Bone Spring Sand above to that which we call the First
22 Wolfcamp shale below the Bone Spring.

23 Q. But you would consider these two intervals to be
24 all one common source of supply?

25 A. They each have resource, and the reason we are

1 drilling all these wells together is to most effectively
2 drain that resource.

3 Q. Okay. But you are not drilling right -- you
4 didn't pick a target right between these green brackets.

5 A. No, sir.

6 Q. But your frac jobs, will they communicate
7 between?

8 A. Yes, sir.

9 Q. Okay. So it will communicate.

10 And so you don't know how far laterally
11 these wells will be spaced.

12 A. I believe it's about 500 feet. I can take a
13 look at that.

14 Q. Okay.

15 A. Yeah.

16 Q. And your engineers are still -- you don't have
17 an engineer today, but your engineers are still upbeat
18 about the really tight increased density --

19 A. Yes, sir.

20 Q. -- wells? And you're going to frac them all,
21 kind of a zipper frac?

22 A. Not necessarily zipper frac, but simultaneously,
23 yes.

24 Q. And you will put them on line at the same time?

25 A. I'm not sure what the production method is going

1 to be. That is the preferred method. That's going to
2 come down to takeaway and facilities whether or not we are
3 able to bring them all on at once.

4 But, yes, they will be closely brought on
5 at the same time.

6 Q. Are you able to -- the time between spudding
7 your first well and completing at least one well, is that
8 going to meet the 120-day limit we usually put in the
9 compulsory pooling, or do you want to ask for an increased
10 time?

11 A. I believe we would want to ask for an increased
12 time on that.

13 Q. How much increased time?

14 A. I'm not sure. I would have to look at that and
15 get back to you. I know these pads are set up as
16 two-to-three well pads, and it's going to take roughly 45
17 days per well to drill that. So we would need a little
18 more time.

19 Q. You're going to need more time.

20 A. Yes.

21 Q. So I think you probably need to go back to talk
22 to some people and get back with us on that.

23 That's not part of your application but
24 you've got parties represented here by other attorneys.

25 Do you have any objection to them

1 **submitting an increased time later?**

2 MS. BRADFUTE: Jennifer Bradfute for Marathon.
3 We would not have any position on increased time if they
4 submit their information, and in prior cases the Division
5 has said up to a year.

6 MR. JONES: Up to a year?

7 MS. BRADFUTE: Add a year.

8 MR. JONES: Okay. So that wouldn't impair
9 anybody's correlative rights or tie up their money too
10 long? That is a lot of money to be tied up for a long
11 time, but if you don't have a choice, you don't have a
12 choice.

13 So if you are going to do this method, then
14 you got to have some time to get it done.

15 THE WITNESS: Yes, sir.

16 MR. JONES: So I don't know if you want to --

17 MS. BROGGI: Could we request that year, and
18 then if the Division needs additional information we can
19 do that?

20 MR. JONES: Okay. So one year between the time
21 the first well is spud to the time the -- one of the wells
22 is completed or begins producing, I guess is the language,
23 I think.

24 MS. BROGGI: Yes, please.

25 MR. JONES: Objection to that?

1 MR. BRUCE: No.

2 I was just going to ask a follow-up
3 question.

4 MR. JONES: Go ahead.

5 FURTHER CROSS-EXAMINATION

6 BY MR. BRUCE:

7 Q. Are you going to drill all the wells
8 sequentially and then come back and --

9 A. Not sequentially. Since they are on four
10 separate pads, I'm not sure what the timing is going to be
11 for spud on all of those at this point, just due to
12 operational uncertainty. So they will be batch drilled
13 where we will drill the verticals on all of the wells on
14 the pad, change over our mud system and then drill the
15 horizontals on all the wells, and backwards. That way we
16 can keep the wellbores as stable as possible and not have
17 to continually switch out the mud system, which is very
18 inefficient to do it that way.

19 That's the only thing I know about the
20 order at this point.

21 Q. I'm not asking specifics but I presume you were
22 not going to to drill and complete one well.

23 A. No, we will have them all drilled before one is
24 completed.

25 FURTHER CROSS-EXAMINATION

1 BY MR. JONES:

2 Q. So four pads? Where would you -- is that
3 concerning these two cases or is that including some other
4 offsets?

5 A. If you look back at Exhibit 28, the squares at
6 the north end of the dashed lines, those would represent
7 where those pads would be located.

8 MR. JONES: Okay. There's four pads there.

9 Okay. Anything else you want to add before
10 you move off to Texas and eat barbecue in Austin? We
11 don't have that here, I don't think.

12 MR. SOLOMON: No.

13 MR. JONES: Okay. Any other questions?

14 MS. BROGGI: We would ask at this time that
15 Cases 16219 and 16220 be taken under advisement.

16 MR. JONES: Okay. I'm a little concerned about
17 adding the one year in when the compulsory drilling people
18 were not -- had that advertised, but I think everyone
19 understands there's no way you can do this whole process
20 without the time period. And we've two attorneys that are
21 not objecting, representing some of the biggest pooled
22 parties here, potentially pooled parties.

23 Okay. Cases 16219 and 16220 are taken
24 under advisement. Let's break until 1:30.

25 (Time noted: 11:54 a.m.)

1 STATE OF NEW MEXICO)
2) SS
3 COUNTY OF TAOS)
4

5 REPORTER'S CERTIFICATE

6 I, MARY THERESE MACFARLANE, New Mexico Reporter
7 CCR No. 122, DO HEREBY CERTIFY that on Thursday, July 26,
8 2018, the proceedings in the above-captioned matter were
9 taken before me; that I did report in stenographic
10 shorthand the proceedings set forth herein, and the
11 foregoing pages are a true and correct transcription to
12 the best of my ability and control.

13 I FURTHER CERTIFY that I am neither employed by
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15 rules) any of the parties or attorneys in this case, and
16 that I have no interest whatsoever in the final
17 disposition of this case in any court.

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